# Alberta Small Business Incubator Support Program

## Guidelines

Alberta
ECONOMIC DEVELOPMENT
AND TRADE
Small Business and
Industry Division

# Introducing the Alberta Small Business Incubator Support Program

The Alberta Small Business Incubator Support Program aims to increase the growth and success of small business. It is administered by Alberta Economic Development and Trade.

The Incubator Program will: (1) accelerate efforts to establish incubators through local/provincial cooperative efforts; (2) provide professional and technical assistance to communities interested in establishing incubators; and, (3) contribute to local economic development.

Small business incubators provide new enterprises with common space, shared services, direct management counselling and access to a broad range of professional, technical and financial services. Small business incubators have proven to be an effective method of linking technology, capital and "know-how" to leverage entrepreneurial talent.

Incubators can be adapted to suit a variety of new small business and community needs. Incubators may be technology-oriented or nontechnical, urban or rural, non-profit or profit-making, public or private ventures, locally owned or part of a chain.

The Incubator Support Program will assist with the costs of developing and operating an incubator. Grants are provided to match funding from local sources. Costs not covered by the Program (e.g. capital) are the responsibility of the local incubator developer. The local incubator developer may be a sole proprietorship, general partnership, limited partnership, co-operative association, corporation, professional corporation or any authorized representative of a local government or a local development organization.

A feasibility study and a business plan are necessary in order to be considered for funding of operations under the Program. The Terms of Reference in the appendices outline the research required to determine feasibility and the information required in the business plan. Both feasibility and business plan development activities are eligible for funding.

Incubator developers should carefully review the Program Guidelines. The Program Administrator and staff of Alberta Economic Development and Trade's Regional Offices are available to work directly with local incubator developers. Their professional advice and technical assistance on assessing markets for an incubator will be particularly helpful (refer to Appendix E of these Program Guidelines for telephone numbers and addresses).

By assisting with the establishment of incubators, the Alberta Small Business Incubator Support Program actively encourages small business development in order to further promote economic growth and diversification. The Program complements existing programs of support for entrepreneurial and small business development.

# Alberta Small Business Incubator Support Program
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# Alberta Small Business Incubator Support Program
# Program Guidelines

## A. OBJECTIVE

The objective of the Alberta Small Business Incubator Support Program is:

> *to support local economic development and diversification by assisting communities with the establishment of small business incubators.*

## B. ELIGIBILITY

### B.1 Eligible Applicants

An Eligible Applicant may include a sole proprietorship, general partnership, limited partnership, co-operative association, corporation, professional corporation or any authorized representative of local government or local development organizations (i.e., Chamber of Commerce, Economic Development Authority, etc.).

### B.2 Eligible Purposes

**Development**

Assistance under the Development component of this Program may be used for:

- the purpose of hiring a qualified consultant at arm's length, but working in close cooperation with the Steering Committee, to prepare a feasibility study and, subject to its findings being acceptable to the Program Administrator, develop a comprehensive business plan detailing the proposed incubator's operations.

**Operations**

Assistance under the Operations component of this Program may be used for:

- the purpose of offsetting part of the deficit between operating revenues and approved operating expenses incurred during the incubator's initial years of operation.

Assistance under this Program shall NOT be used to finance:

- the acquisition, construction and/or renovation of an incubator facility;
- the purchase of machinery, equipment or inventory of the tenants; or
- the working capital requirements of incubator tenants.

### B.3 Status of Existing Incubators

Provision of assistance under the Operations component of the Program is subject to approval of:

- evidence of current feasibility, acceptable to the Program Administrator;
- a business plan, acceptable to the Program Administrator; and
- completion of operating progress reports (see Appendix D), acceptable to the Program Administrator.

Applications from existing incubators that have obtained, are eligible for, or who may qualify for financial assistance under other federal or provincial programs that may be used for the purpose of community economic development may be taken under advisement (to be reviewed in consultation with the Administration of the other programs to possibly coordinate funding).

## C. PROGRAM GUIDELINES

### C.1 Maximum Assistance

**Development**
The level of assistance available for the development of the incubator, consisting of feasibility assessment and business plan preparation, is:

- up to and including 50 percent of the cost of hiring a qualified consultant at arm's length to a maximum of $25,000, whichever is less.

**Operations**
The level of assistance to communities for the operation of each incubator project is determined as follows:

- For populations of 25,000 people or less —
  up to and including 50 percent of annual operating deficits to a maximum of $75,000 over three years, whichever is less.
- For populations of over 25,000 but not greater than 100,000 people —
  up to and including 50 percent of annual operating deficits to a maximum of $150,000 over three years, whichever is less.
- For populations of over 100,000 people —
  up to and including 50 percent of annual operating deficits to a maximum of $300,000 over three years, whichever is less.

***The maximum amounts of funding under this Program are available subject to:***
***the community's provision of a cash or equivalent dollar value contribution, concurrent with this program, for the purposes of undertaking a feasibility study, preparing a business plan and offsetting the incubator's initial operating deficits.***

***Applicants who have obtained, are currently eligible for, or who may qualify for financial assistance under other federal or provincial programs that may be used for the purpose of undertaking feasibility studies, preparing business plans or offsetting operating deficits are not normally eligible for funding under this program.***

### C.2 Payment Schedule

**Development**
The Eligible Applicant will be reimbursed upon satisfactory completion of the feasibility assessment and again after satisfactory completion of the business plan.

**Operations**
The Eligible Applicant's cumulative applications for payment of the grant over three consecutive operating years may not exceed an amount equivalent to: 50 per cent of the maximum approved grant at the end of one full year of operations; 80 per cent of the maximum approved grant at the end of two full years of operations; and 100 per cent of the maximum approved grant at the end of three full years of operations.

## D. APPLICATION PROCESS

### D.1 Approval

**Development**

Approval of funding to conduct a feasibility study and develop a business plan will be determined on the basis of:

- establishment of an appropriate Steering Committee acceptable to the Program Administrator;
- appropriate Terms of Reference: Feasibility Study (see Appendix B);
- appropriate Terms of Reference: Business Plan (see Appendix C); and
- Letter of Intent identifying the consultant, describing his/her qualifications and stating the consultant's estimate for the work.

**Operations**

Approval of funding for Operations will be determined on the basis of:

- evidence of current feasibility, acceptable to the Program Administrator;
- a business plan, acceptable to the Program Administrator; and
- completion of operating progress reports (see Appendix D), acceptable to the Program Administrator.

### D.2 Program Authority

This program is authorized under the Alberta Economic Development and Trade Act — Economic Development and Trade Grant Regulation. The Program will commence on July 21, 1987, and expire when $3 million has been disbursed or on March 31, 1992, whichever comes first.

### D.3 Application Procedure

**Application**

- Upon receipt of these Program Guidelines, the Applicant is advised to contact their Regional Office of Alberta Economic Development and Trade for advice and assistance in the preparation of their proposal.

### D.4 Further Information

Further information can be obtained by contacting your Regional Office of Alberta Economic Development and Trade or the Program Administrator (see Appendix E).

# Section E: Appendices


Definitions ..... Appendix A
Terms of Reference: Feasibility Study ..... Appendix B
Terms of Reference: Business Plan ..... Appendix C
Progress Report: Operations ..... Appendix D
List of Regional Offices of
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# Appendix A
# Definitions

For the purposes of the Alberta Small Business Incubator Support Program, the following definitions shall apply:

**"Commencement of Operations"** refers to the date of occupancy in the Incubator's lease agreements with the new small businesses that will be its tenants.

**"Community"** refers to the corporate and/or private citizens of an incorporated or unincorporated municipality and its surrounding rural population.

**"Equivalent dollar value"** indicates the cost to the incubator of acquiring the good or service in the marketplace at arm's length.

**"Incubator"** refers to an environment providing new small businesses with common space, shared administrative support services, direct management counselling and access to a broad range of professional, technical and financial business support services for a limited period of time.

**"New small business"** defines a new owner/managed proprietorship, partnership, cooperative or corporation, including a professional corporation established for gain or profit.

**"Operating deficit"** refers to operating revenues less all operating expenses.

**"Operating expense"** is defined according to the 1987 Income Tax Act.

**"Operating revenue"** is revenue earned from principal business activity.

**"Population"** is defined according to Statistics Canada 1986 Census.

**"Qualified consultant"** defines one with the skills, knowledge, expertise and credibility in the field of strategic planning.

**"Region"** refers to one or more municipalities and their surrounding rural populations.

**"Steering Committee"** is a committee of key decision-makers in local government, private industry, private lending organizations, development organizations, business community organizations and educational institutions who are responsible for managing the development of the incubator project.

# Appendix B

## Terms of Reference: Feasibility Study

**Project Title**

Feasibility Study for a Small Business Incubator in the Community of

_____

**Purpose**

To study the feasibility of an incubator program in the community of _____ .

**Objectives Should Include:**

**1. Analyse the Local Economy**

To determine if the community has the market for an incubator, three major aspects of the local economy should be analysed:

(i) Characteristics of Major Corporations in the Area
- nature of each Corporation's business (i.e., type of business and industry, sales, revenues, number of employees, level of spin-off activity).
- analysis of each Company's source of supply (i.e., major suppliers and their location, product or service provided, annual dollar volume).

(ii) Assessment of Entrepreneurial Activity
- number and type of new business start-ups over the previous three to five years by business registrations, permits and licences issued.
- level and extent of participation in business organizations, associations, clubs, societies, etc.
- level and extent of participation in business and pre-business education courses, conferences, seminars, workshops, etc.
- number and type of new business failures.
- number of start-up business plans being considered by local banks, lawyers, accountants, etc.
- number of home-based businesses, both licensed and unlicensed.

(iii) Commercial Real Estate Supply and Demand
- supply of available commercial space in terms of rent level and type of property and the length of the average commercial lease offered by type of business activity.
- demand for commercial space in terms of vacancy rate by type of property and the number of business permits issued by type of business over the last 12 months.

**2. Assess the Existing Business Support Network**

(i) Examine the degree to which the community has formalized its support for small business by assessing:
- availability of locally sponsored business and pre-business education courses, conferences, seminars, workshops, etc.
- strength of small business community membership in organizations supporting small business issues.
- availability and accessibility of start-up and expansion financing for small business.
- business climate including taxation policies, procedures for acquiring licences and permits, existence of zoning restrictions, etc.
- formal and informal, public-private programs providing specialized technical assistance (i.e., invention evaluation services, business assistance counselling, etc.).
- community awareness of importance of, and contributions by, small business economically and whether or not the local media provide information about small business issues or of interest to small business.

(ii) Examine the community's previous experience with this type of public joint ventures and the potential for cooperation on this type of venture.

(iii) Determine the potential impact of an incubator on existing businesses in the community.

**3. Analyse the foregoing in terms of:**
- major strengths and weaknesses;
- gaps in information collected and resources identified; and
- strategies for gathering additional information, gaining other resources, involving other key organizations.

**4. Goals**

Define the goals and objectives for the incubator within the community's broad economic development strategy.

(i) Develop specific, measurable objectives for achieving the incubator's goals.

(ii) Develop the focus of the incubator.
- organization of the management (non-profit, for-profit)
- type of tenants by Standard Industrial Classification
- type of facility
- location of facility.

**5. Identify and Select a Suitable Site and Facility**

After establishing the focus of the incubator and given the specific needs of the types of businesses to be served by the incubator and their particular space and location requirements, define the type of space required by the tenants. In cases where an alternative to centralizing the tenants in a single common facility may be considered, the site and facility selection process should define the type of space required by the incubator management.

Factors to be considered in the site selection process include:

- ample space for all tenants
- suitable area for shipping and receiving
- sufficient parking
- proximity of site to tenant's supplies
- storage space
- site location relative to major transportation routes
- zoning regulations (i.e., commercial/industrial multi-use)
- potential for expansion
- security
- building codes (i.e., basic minimum requirements)
- labor standards (i.e., quality of workplace).

**6. Presentation**

Prepare and present recommendations to the Steering Committee on the viability of operating an incubator in the community and the advisability of proceeding with the development of a Business Plan.

**Timing for Feasibility Assessment**
Commencement: Upon signing of Business Incubator Development Grant Agreement between the Applicant and the Crown.

Completion: Within 8 to 12 weeks after commencement.

**Company Information**
Background and experience of the company selected to undertake the feasibility study including client references for previous related assignments.

**Consulting Team Available**
Qualifications and experience of all staff assigned to the project, particularly as they relate to the study objectives.

Man days, weeks or months allocated by each member of the consulting team and the tasks which will be assigned to each member of the consulting team.

**Methodology**
A proposed methodology and research design for the feasibility study.

An analysis of how the consultant would meet the specific objectives within the cost restraints of the study.

An explanation if any specific objectives cannot be met within these cost constraints. If this applies, alternate strategies should be proposed.

**Reporting Schedule**
A detailed schedule of work outlining when specific study components will be achieved.

**Budget**
A total budget broken down by components of work and manpower specifying fees and operating expenses.

# Appendix C
## Terms of Reference: Business Plan

**Project Title**

Business Plan for the Small Business Incubator in the Community of

_____

**Purpose**

To develop a comprehensive business plan for the operation of the Small Business Incubator in the community of _____.

**Objectives Should Include:**

**1. Develop a Management Plan for the Facility**

(i) Organizational Structure
- define incubator and/or incubator management's purpose (i.e., for-profit or non-profit)
- identify who will determine basic policies (i.e., Board of Directors)
- identify who will implement basic operating policies and procedures (i.e., incubator manager)
- identify who will assist/advise incubator (i.e., Advisory Council)
- design management and staff job descriptions including one for the individual who will be responsible for carrying out the Incubator's obligations under the Business Incubator Operations Grant Agreement with the Alberta Government
- describe the business counselling relationship to the incubator
- describe the seed capital relationship to the incubator
- describe the property management relationship to the incubator.

(ii) Operational Policies and Procedures
- tenant selection criteria
- tenant graduation policies
- lease policies (i.e., rent, fees and charges, royalties)
- range of administrative support services available and basis of provision
- range of business counselling assistance and management training available and basis of provision
- availability and accessibility of seed capital
- budgeting
- communications
- property management
- tenant screening process
- tenant review process
- tenant relocation assistance.

**2. Develop a Marketing Strategy**

(i) Discussion of the incubator's marketing strategy is to include:
- pricing strategy for the space and services
- promotional plan addressing the initial lease-up period, ongoing recruitment and graduation of tenants, and solicitation and maintenance of community support
- strategy for delivery of the incubator's services to tenants whether provided in-house and/or contracted out
- description of the type of services required by the type of tenants that the incubator is targeting

(ii) Provide a draft lease agreement between the incubator and its tenants.

(iii) Provide an indication of the number of prospective tenants, based on review of actual business plans and interviews, available for occupancy upon commencement.

**3. Arrange Financing**

(i) Identify the sources and applications of funding for:
- the facility (i.e., acquisition, construction and/or renovation)
- operations (i.e., daily operating expenses)
- tenants (i.e., purchase of machinery and equipment, inventory, working capital, etc.)

(ii) Prepare financial statements
- forecast revenues and expenses for Years One through Five indicating how the incubator intends to operate self-sufficiently after its participation in this Program has ended by conducting a breakeven analysis
- detail month-by-month for Year One
- detail quarter-by-quarter for Years Two through Five.

**4. Commencement of Operations**

(i) Set a target date for commencement of operations. This date must be within 12 months of the signing of the Business Incubator Development Grant Agreement.

**Timing**

Commencement: Subject to evidence of current viability, acceptable to the Program Administrator, as determined by the Feasibility Study.

Completion: Within 6 months of the signing of the Business Incubator Development Grant Agreement between the Applicant and the Crown.

**Company Information**

Background and experience of the company selected to prepare the business plan including client references for previous related assignments.

**Consulting Team Available**
Qualifications and experience of all staff assigned to the project with emphasis on previous related experience.

Man days, weeks or months allocated by each member of the consulting team and the tasks which will be assigned to each member of the consulting team.

**Methodology**
A proposed methodology and research design for the development of the business plan.

An analysis of how the consultant would meet the specific objectives of the project within the cost constraints.

An explanation if any specific objectives cannot be met within these cost constraints. If this applies, alternate strategies should be proposed.

**Reporting Schedule**
A detailed schedule of work outlining when specific project components will be achieved.

**Budget**
A total budget broken down by component of work and manpower specifying fees and operating expenses.

# Appendix D

## Alberta Small Business Incubator Support Program
## Incubator Progress Report

File No: _____

Date: _____

Incubator Name: _____

Manager Name: _____

| Year | Year 1 | | | | Year 2 | | | | Year 3 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Quarter | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 |
| Vacancy Rate (%) | | | | | | | | | | | | |
| Occupancy Rate (%) | | | | | | | | | | | | |
| Profit or Loss ($000's) | | | | | | | | | | | | |
| Waiting List (Number/Time) | | | | | | | | | | | | |
| Recent Entrants | | | | | | | | | | | | |
| Total Tenants | | | | | | | | | | | | |
| Number of Employees (Full-Time) | | | | | | | | | | | | |
| (Part-Time) | | | | | | | | | | | | |
| Recent Exits | | | | | | | | | | | | |
| Total Graduates | | | | | | | | | | | | |
| Number of Employees (Full-Time) | | | | | | | | | | | | |
| (Part-Time) | | | | | | | | | | | | |
| Recent Closures | | | | | | | | | | | | |

Attach the following: (1) Updated List of Tenants (Current and on Waiting List), Graduates, Closures (and Reasons), and (2) Annual Audited Financial Statements.

| | | Keyed By | Date |
|---|---|---|---|
| Manager's Signature | Date | | |

# Appendix E

## List of Regional Offices of Alberta Economic Development and Trade

| | |
|---|---|
| **Small Business & Industry Division**<br>• Program Administrator<br>• Edmonton Metro<br>• Edmonton Rural | 6th Floor<br>9940 - 106 Street<br>Edmonton, Alberta, T5K 2P6<br>Ph: 427-5267 |
| **Calgary** | 5th Floor<br>999 - 8 Street S.W., T2R 1J5<br>Ph: 297-6284 |
| **Camrose** | Provincial Building<br>4909 - 48 Street, T4V 1L7<br>Ph: 679-1235 |
| **Edson** | Bag 9000<br>204 Provincial Building<br>111 - 54 Street, T0E 0P0<br>Ph: 723-8229 |
| **Grande Prairie** | 1401 Provincial Building<br>10320 - 99 Street, T8V 6J4<br>Ph: 538-5230 |
| **Lethbridge** | 249 Provincial Building<br>200 - 5 Avenue South, T1J 4C7<br>Ph: 381-5414 |
| **Medicine Hat** | 217 Provincial Building<br>770 - 6 Street, S.W., T1A 4J6<br>Ph: 529-3630 |
| **Peace River** | Bag 900, Box 3<br>10122 - 100 Street<br>Riverdrive Mall<br>T0H 2X0<br>Ph: 624-6113 |
| **Red Deer** | #305, Provincial Building<br>4920 - 51 Street<br>Camrose, Alberta, T4V 1L7<br>Ph: 340-5300 |
| **St. Paul** | Provincial Building<br>409, 5025 - 49 Avenue<br>Box 1688<br>St. Paul, Alberta, T0A 3A0<br>Ph: 645-6358 |